

January 22, 2018

Notice of Ex Parte

Marlene Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**Re: Connect America Fund
Docket No. 10-90**

Dear Ms. Dortch:

On January 18, 2018, Jeff Wick of WTC Communications/Wamego Telephone Co. Inc. (Wamego, Kan.); Doug Kitch and Zachary Cochran of Alexicon; and Michael Romano and the undersigned of NTCA–The Rural Broadband Association (NTCA) (collectively, the parties) met separately with Jay Schwarz, Wireline Advisor to Chairman Ajit Pai; Claude Aiken, Legal Advisor, Wireline, to Commissioner Mignon Clyburn; Amy Bender, Legal Advisor, Wireline, to Commissioner Michael O’Rielly, and; Jamie Susskind, Chief of Staff for Commissioner Brendan Carr. The parties discussed impacts of the corporate operations expense cap as administered pursuant to 47 C.F.R. § 54.1308. Specifically, the parties discussed how the failure to include all regulated connections (including both voice/voice-data lines *and* broadband-only connections) within the calculation of the corporate operations expense cap affects high-cost support recipients and undermines the offering of standalone broadband services.

The parties explained that under current rule, the cap on corporate operations expenses is based on voice loops. This limitation, however, can impose an artificially low ceiling on corporate operations expenses for companies as their consumers increasingly elect to procure broadband-only connections. In particular, the cap can start to apply and reduce support for companies like WTC not because the company’s corporate expenses have increased or because consumers have ceased to buy services from the company, but rather merely because consumers are choosing to buy standalone broadband services as prior reforms intended to enable. Accordingly, the parties recommended that 47 C.F.R. § 54.1308 be amended to base corporate operations expense recovery on connections (rather than only voice loops) that would be defined as a working loop *or* a broadband-only loop. This measure would correct the adverse consequence of using only voice loops to determine recovery limits for a mechanism that is intended to support both voice *and* data-only loops.

The parties also recommended that 47 C.F.R. § 54.1305 be amended, as well, to ensure that the calculation of broadband-only loops be based upon data calculated as of December 31 of the calendar year preceding each July 31 filing. This amendment is necessary to ensure an accurate count of various kinds of connections without concern as to inconsistent over- or under-reporting of various loops.

In support of this discussion, the attached documents were provided.

Thank you for your attention to this correspondence. Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed with ECFS.

Respectfully Submitted,

/s/ Joshua Seidemann

Joshua Seidemann

Vice President of Policy

NTCA–The Rural Broadband Association

cc: Jay Schwarz
Claude Aiken
Amy Bender
Jamie Susskind

Amendment to 54.1305

(j) The number of consumer broadband-only loops for each study area, calculated as of December 31st of the calendar year preceding each July 31st filing.

Amendments to 54.1308

(4) Corporate Operations Expenses, Operating Taxes and the benefits and rent portions of operating expenses, as reported in §54.1305(e) attributable to investment in C&WF Category 1.3 and COE Category 4.13. This amount is calculated by multiplying the total amount of these expenses and taxes by the ratio of the unseparated gross exchange plant investment in C&WF Category 1.3 and COE Category 4.13, as reported in §54.1305(a), to the unseparated gross telecommunications plant investment, as reported in §54.1305(f). Total Corporate Operations Expense for purposes of calculating high-cost loop support payments beginning January 1, 2012 shall be limited to the lesser of §54.1308(a)(4)(i) or (ii).

(i) The actual average monthly per-loop Corporate Operations Expense; or

(ii) A monthly per-~~loop-connection~~ amount computed according to paragraphs (a)(4)(ii)(A), (a)(4)(ii)(B), (a)(4)(ii)(C), and (a)(4)(ii)(D) of this section. To the extent that some carriers' corporate operations expenses are disallowed pursuant to these limitations, the national average unseparated cost per loop shall be adjusted accordingly.

(A) For study areas with 6,000 or fewer total ~~working-loopsconnections~~ the amount monthly per working loop shall be $\$42.337 - (.00328 \times \text{the number of total } \del{working-loopsconnections})$, or, \$63,000/the number of total ~~working-loopsconnections~~, whichever is greater;

(B) For study areas with more than 6,000 but fewer than 17,887 total ~~working-loopsconnections~~, the monthly amount per ~~working-loopconnection~~ shall be $\$3.007 + (117,990/\text{the number of total } \del{working-loopsconnections})$; and

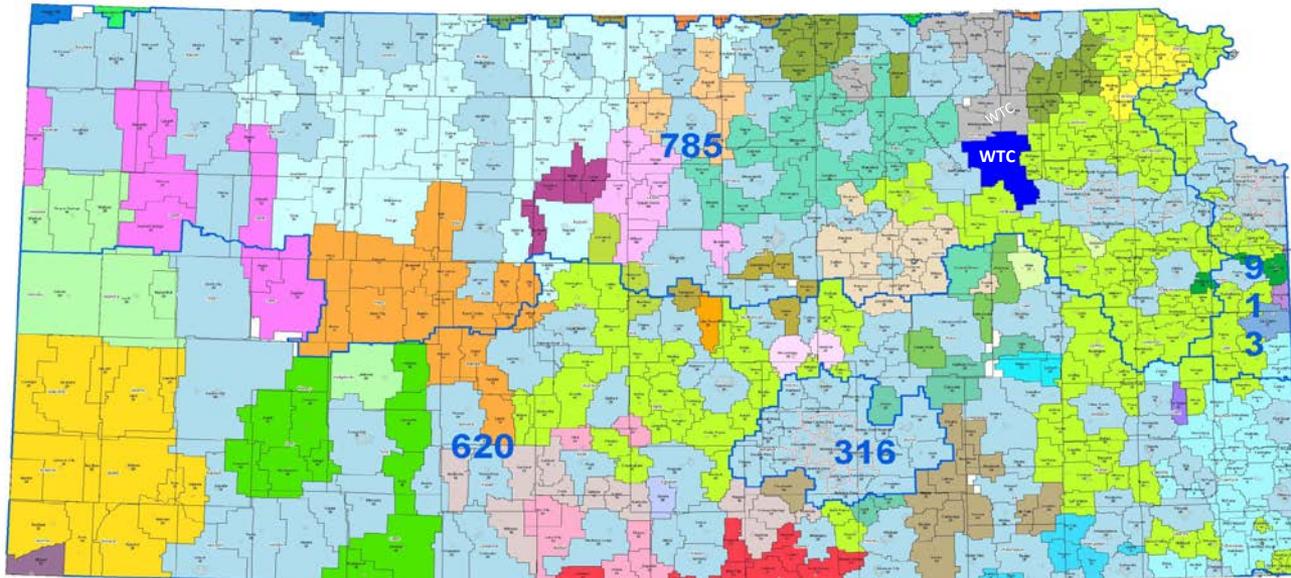
(C) For study areas with 17,887 or more total ~~working-loopsconnections~~, the monthly amount per ~~working-loopconnection~~ shall be \$9.562.

(D) Beginning January 1, 2013, the monthly per-~~loop-connection~~ amount computed according to paragraphs (a)(4)(ii)(A), (a)(4)(ii)(B), and (a)(4)(ii)(C) of this section shall be adjusted each year to reflect the annual percentage change in the United States Department of Commerce's Gross Domestic Product-Chained Price Index (GDP-CPI).

(b) For purposes of this rule, a "connection" shall be defined as a working loop or a consumer broadband-only loop. Connections shall be reported consistent with the requirements of §54.1305(i) for the annual submission and §54.1306 for quarterly updates.

Wamego Telecommunications Company

- Founded in 1912
- Headquarters – Wamego, KS
- 35 full-time employees
- Cover 400 square miles
- Exchanges – Paxico, St. George and Wamego
- Total Regulated Connections – 4,881



Concept of Proposed Rule Change

- **The proposed change corrects the corporate cap formula so that it is based on total regulated USF supported connections instead of only voice loops**
- **We propose that total connections should be defined as the sum of working voice loops and consumer broadband only loops**
- **This corrects the mismatch of only using voice loops to determine an expense cap for a support fund that recovers both voice loops and data only loops**

Formula Correction

Current Formula	Proposed Formula
<p>For study areas with 6,000 or fewer Total Loops :</p> <p>$[\\$42.337 - (\\$0.00328 \times \text{Loops})] \times \text{GDPCPI}$ or</p> <p>$[63,000 / \text{Loops}] \times \text{GDPCPI}$, whichever is or greater</p>	<p>For study areas with 6,000 or fewer Total Connections :</p> <p>$[\\$42.337 - (\\$0.00328 \times \text{Connections})] \times \text{GDPCPI}$ or</p> <p>$[63,000 / \text{Connections}] \times \text{GDPCPI}$, whichever is or greater</p>
<p>For study areas with more than 6,000 but fewer than 17,887 Total Loops :</p> <p>$[\\$3.007 + (117,990 / \text{Loops})] \times \text{GDPCPI}$</p>	<p>For study areas with more than 6,000 but fewer than 17,887 Total Connections :</p> <p>$[\\$3.007 + (117,990 / \text{Connections})] \times \text{GDPCPI}$</p>
<p>For study areas with 17,887 or more Total Loops :</p> <p>$\\$9.562 \times \text{GDPCPI}$</p>	<p>For study areas with 17,887 or more Total Connections :</p> <p>$\\$9.562 \times \text{GDPCPI}$</p>

Current Cap Calculation Compared to The Intended Cap Calculation (Example)

Rule Change Impact Example, GDP/CPI =1.097676, Working Loops Approximately 60% of Connections						
Working Loops (DL060)	Consumer Broadband Only Loops (CBOL)	Total Connections	Current Cap	Intended Cap	Total Difference	Per Connection Difference
500	400	900	\$829,843	\$829,843	\$0	\$0
1,700	1,300	3,000	\$829,843	\$1,284,162	\$454,319	\$151
3,000	2,300	5,300	\$1,284,162	\$1,742,024	\$457,861	\$86
6,000	4,500	10,500	\$1,790,643	\$1,970,067	\$179,424	\$17
10,500	4,500	15,000	\$1,970,067	\$2,148,306	\$178,238	\$12
17,886	13,414	31,300	\$2,262,616	\$3,942,289	\$1,679,673	\$54